

USAID/Georgia
ANNUAL REPORT FY 2003

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A. Program Level Narrative

Program Performance Summary:

Background: The independence of Georgia was gained in 1991 and was followed by internal violence and political upheaval. A period of nominal stability emerged in 1995 with the election of a new Parliament and the enactment of a progressive Constitution. At the same time, Georgia enacted laws supporting reforms in areas such as privatization, bank restructuring, the judiciary, health care, media, regulatory policies and civil society. That progress, however, has slowed in recent years due, in part, to weak institutional capacity and a wavering commitment by government, influenced by powerful vested interests, to implement reform policies and laws. Although the government introduced new comprehensive reforms to tackle persistent smuggling and tax evasion and set-up an anti-corruption commission in 2000, it has yet to demonstrate strong political will to combat corruption at any level.

Macroeconomic stabilization in 1995 laid the basis for an economic recovery in the late 1990s. Georgia has regained the price and exchange rate stability that was temporarily lost as a result of the fallout from the 1998 economic crisis in Russia. Although Georgia has exhibited positive growth since 1999, a number of challenges remain. Fiscal performance remains one of Georgia's most intractable problems, with tax revenues remaining amongst the lowest in the region. As mentioned, the country's foreign debt has reached its limits (equal to about 51 percent of GDP). Georgian bilateral debt due in 2001 and 2002 was rescheduled at the Paris Club in April 2001 over 20 years. There has been some consolidation in the banking sector. Increasingly stringent reporting requirements and prudent regulation in line with international standards have been introduced, leading to a reduction in the number of banks from 247 in 1995 to 27 in 2002. Despite the consolidation, the banking system remains thin, with most banks generally unable to act as intermediaries for financial transactions. The large size of the shadow economy is partially responsible for the weakness of the banking sector, as shadow transactions are often carried out in cash. In recognition of this problem, in April 2002 the government approved a long-term strategy on anti-corruption.

The country is pinning its hope for long-term recovery on the development of the international oil and gas transportation corridors to Ceyhan and Erzerum in Turkey, respectively. The construction of the two major pipelines, one for oil and one for gas, over the next few years mean that Georgia soon will become an important route for the transportation of Caspian oil and gas to Western markets. The situation also will provide Georgia with much-needed transit revenue and a plentiful supply of natural gas.

U.S. interests and Goals: Despite many problems, Georgia is a potential leader in economic and political reform in the former Soviet Union and is a fulcrum for east-west energy pipelines, which should include significant U.S. private sector involvement. Georgia's development as a stable, democratic country, increasingly integrated into the global economy, remains a key U.S. national interest in the volatile Caucasus and Caspian regions.

Challenges: The country faces major challenges on many fronts: deteriorating living standards of the population; difficulties in implementing laws and regulations throughout the country; pervasive corruption; the arbitrary application of taxes; a large shadow economy, which hampers economic growth by depriving the government of much-needed tax revenue; weak institutions that further limit the ability of the state to govern; and eroding public trust in government. Georgia's internal security also is deteriorating, as highlighted by the unresolved territorial conflicts with Abkhazia and South Ossetia, and new spate of kidnappings for political and economic reasons. Relations with Russia continue to be strained due to the Chechen segment of the border and the presence of active Russian military bases in Georgia. The government of Georgia must make a visible and serious commitment to tackle these challenges in order to improve the investment climate and attract much-needed foreign direct investment.

Donor Relations: The activities of the United Nations Development Program (UNDP) in Georgia are focused on poverty reduction, democratic governance and environmental protection. Their activities in democratic governance, in particular, complement USAID's programs through strengthening governmental institutions. The World Bank supports projects in energy including electricity and oil,

transportation, municipal infrastructure, and institution building. These programs are coming to an end and future projects will include water supply and sanitation, and extended support to the Social Investment Fund, all of which complement USAID's programs. The EBRD supports programs in banking, SMEs, infrastructure (primarily in the energy sector), and regional projects in energy. The European Union activities support institutional, legal, and administrative reform, food security, health care, border guards, and transport infrastructure. Donor coordination has been uneven in the past, however it is improving and gathering momentum and is expected to have a major impact during the upcoming Parliamentary elections.

Key Achievements: In spite of the large number of challenges that lie ahead, especially at the national level, USAID has had success working with communities, civic groups, and some local governments in the regions. Community members, well versed in national issues, engage enthusiastically when community concerns are being discussed. A key result has been that local governments have become more responsive to the communities they serve. USAID-supported rural credit, micro-finance, land privatization and land market development programs have accomplished significant results during the past 12 months. Highlights of these key achievements are discussed, by sector, below.

Economic Development: Through economic development activities, USAID supports efforts aimed at sustaining economic growth of private enterprises. Significant progress has been made in establishing credit programs for micro, small and medium entrepreneurs through both banking and non-banking institutions. USAID-financed programs provided nearly 60,000 short-term loans to micro-enterprises (totaling over \$14 million) and 305 short and medium term loans to small enterprises (totaling \$4.2 million) in FY 2002. A growing agricultural credit portfolio targeted rural areas of the country, disbursing some 760 loans valued at \$2 million to small farmers. USAID continued its support for Georgia's land market development, providing the basis for future expanded rural credit programs. In FY 2002, more than 500,000 agricultural land parcels were surveyed, registered and titled, bringing the total number of registered titles to 2,050,000. This activity has been linked to the increased viability of the real estate market, with 20,000 transactions (sales and mortgages) registered in FY 2002. In the banking sector, USAID's support strengthened confidence in the banking sector. Although still minimal, deposits grew. But more importantly, there were no bank failures that caused depositors to lose their money. The Mission is addressing the disappointing results of the tax reform effort. Recognizing that most of the necessary tools for modern tax administration have been developed with USAID's assistance, future interventions in tax administration will be driven by private sector demands and IMF conditionalities.

Energy Sector: USAID's strategy for this sector is to promote the development of a more economically sustainable energy sector. USAID's emphasis is two-fold: a) to create a business climate that will attract private sector participation and ownership, with consequent improvements in the management of resources and provision of services; and b) to improve the financial strength of the energy sector. Approximately 1.3 million residential and commercial customers of electricity and potentially an equal number of natural gas customers in Georgia have benefited from USAID's activities in this sector. Throughout 2002, the energy sector in Georgia continued to be plagued by extremely low collection of revenues and poor cash-flow management. To improve cash collection in the wholesale electricity market, USAID continues to condition part of its disbursements under the Georgia Winter Heat Assistance Program (GWHAP) on increased cash payments by the largest delinquent industrial wholesale customers. This has proven to be very successful over the short term, however, payment discipline is not sustainable and collections returned to prior levels or lower during the summer months. For the future, the majority of resources will be directed toward improving the billing, collections, and revenues cycle, and improving the performance of the installed hydropower generating capacity.

Rule of Law: Through rule of law programs, USAID supports efforts to assist Georgia to establish a sound legal foundation on which to build a stable market economy and democratic governance. This objective is accomplished by encouraging local empowerment through public awareness of legal rights, and supporting legal access mechanisms enabling citizens to pursue these rights, and increasing the capacity of legal institutions to implement and enforce better laws and regulations. The confluence of several years of targeted judicial reforms, such as the judges' qualification exams coupled with this new outreach measure targeted to the grass-roots level, has resulted in a more cohesive program. Georgians

are now more apt to utilize the courts for legal remedies, and view judges in the regions as less biased and more impartial. Several additional major legislative achievements were accomplished during the past year: simplified procedures for the Constitutional Court were completed, and licensing regimes were brought into compliance with the Administrative Code.

Local Governance: USAID activities under this objective emphasize local and political decision-making in the regions outside of Tbilisi. They do this by responding to citizens' needs and priorities for services, and by laying the foundation for parliamentary elections in 2003 and presidential elections in 2005. Activities in this area also support a free and independent press, and continued assistance for political processes. All Georgians directly benefit from efforts that empower them to more effectively demand accountability, as well as enable local governments to meet the needs of their constituents. As a result of USAID programs, legal reforms are taking root as the government becomes more accountable. City councils now know that they are required by law to hold meetings, including annual budget planning and approval, open to citizens. These open meetings have helped identify community-specific concerns and led to a process of cooperative interaction between local councils and local citizens in finding workable solutions to their problems. During FY 2002, sixty-six open meetings were held in the five pilot cities of USAID's local governance activities. Using an index that looked at five key areas to determine the openness of each council meeting, the sixty-six meetings held in all five pilot cities averaged a 92% approval rating. In several municipalities, improved budget management, coupled with citizen advocacy, has led to tangible results in local service delivery: trash collection has improved, street drainage cleaned, and cities beautified.

Political Processes: The results of USAID's FY 2002 civil society strengthening and voter registration activities were positive. Although the first direct election of mayors held in June 2002 was largely deemed chaotic, it reflected the will of the people in virtually all cities throughout Georgia. Official and non-official accounts of turnout estimated that nearly 60 percent of voters came to the polls -- far higher than the prior estimates of 45 percent. Through the use of direct technical assistance, USAID will continue to aid reform-minded political parties and parliamentary factions in their efforts to form coalitions around reformist agenda items, and assist political parties in encouraging youth and women's participation in Georgia's political process.

Civil Society and Media: USAID has responded to the challenges facing NGOs with a more concerted focus on citizen advocacy both at the national and local levels. Activities include helping leading Georgian NGOs establish a firm constituency base, achieve financial sustainability, develop a more effective lobby for citizen interests, and address legislative concerns governing the NGO Sector. As a result of USAID programs, NGOs were able to effectively advocate for their interests. One notable success concerned a proposed tax on grants. The proposal was thwarted through the combined efforts of NGO lobbying and Western pressure. Another example was the launching of the first National Broadcasters' Association, which allowed media entities to effectively lobby Parliament to adopt amendments to the Law on Communications and Post. USAID also started the new "Media Innovations" program in August of 2002, which aims to further improve journalistic skills and foster media management skills. It is hoped that media outlets will emerge as profit-seeking businesses, and at the same time the media's legal and regulatory framework will improve to support free speech and access to public information.

Humanitarian Assistance: Activities under this objective are aimed at increasing the capacity of the population at the grassroots level to establish priorities, identify indigenous resources to address local problems and promote economic livelihood activities in an effective and transparent manner. Approximately 300 community-led, USAID-financed projects were successfully completed. The projects were identified by individual communities to address specific needs in the areas of health, social infrastructure, shelter and economic opportunity. School children and teachers benefited from rehabilitated schools; farmers and entrepreneurs benefited from repaired irrigation systems, roads, and bridges; whole villages benefited from access to potable water. Nearly 3,000 jobs were created under these programs.

The Georgia Winter Heating Assistance Program continued to provide critical support to vulnerable people throughout Georgia, while assisting in maintaining social stability, and supporting energy sector reform and privatization. Over 180,000 vulnerable households received significant energy subsidies, together with 560 socially critical institutions. This program was co-financed by BP, which provided \$1.5 million over the last two years, representing nearly 10% of the total cost of the subsidies.

In April 2002, an emergency post-earthquake rehabilitation program responded to the needs of 8,000 vulnerable households in socially and economically disadvantaged districts of Tbilisi. USAID also contributed to a rapid multilateral response to the serious drought in Western Georgia. A combined response of agricultural inputs and seeds benefited almost 60,000 households. Moreover, the U.S. Government's quick response to the emergency was instrumental in prompting other international donors to join the drought relief effort.

Family Health and STI/HIV: USAID programs seek to improve access to family planning services and primary health care, and to slow the spread of STI/HIV infections in targeted populations of Georgia. With USAID support, maternal and child health services continue to improve in both quality and quantity. The key results of the program were: (1) the opening of the first rural Georgia Primary Health Care (PHC) Center in Mtskheta, staffed with certified family medicine doctors; (2) A Women's Wellness Center (WWC) supported preventive services, focusing on women's reproductive health needs in Kutaisi; and (3) The Infection Control Partnership improved nosocomial infection surveillance and control, and improved referral and microbiology data reporting systems. Approximately 350 health care professionals were trained. Family planning activities, supported by USAID, contributed to the decline in the percentage of the married women in Tbilisi experiencing abortion. In the last three years abortions by women aware of the USAID program declined from 45% in 2000 to 28% in 2002. These results suggest that the trend in decreasing abortion rates and increasing contraceptive use in Georgia creates an environment where significant change may be possible in a relatively short period of time.

Gender disparities: USAID has integrated gender issues into its programs, particularly in micro-credit and democracy and governance to ensure that men and women can participate in and benefit from programs equally.

Traditionally, the majority of credit recipients for commercial activities in Georgia have been men. USAID's micro-credit programs have introduced more balance in the small-scale finance sector in Georgia by making loans available to women entrepreneurs and small business owners. Since 1993, USAID has issued approximately 16,000 loans to women in Georgia, providing valuable commercial opportunities to the growing numbers of Georgian women entrepreneurs.

Environmental Compliance: The mission reviewed all strategic objectives and determined that all current activities are in compliance with approved Initial Environmental Examinations. Environmental Assessments, Categorical Exclusions and all required mitigations and conditions are being followed.

Country Closeout & Graduation: None

D. Results Framework

114-013 Accelerated development and growth of private enterprise

SO Level Indicator: % of people above the poverty line in targeted communities

IR 13.2 Increased Access to Credit

IR 13.2.1 Land Market Developed

IR 13.2.2 Efficiency of Banking Sector Increased

IR 13.2.3 Non-Bank Financial Institutions Strengthened

IR 13.3 Increased Market-oriented Production

Discussion:

114-0130 Accelerated Development and Growth of Private Enterprises

Discussion:

114-015 A more economically efficient and environmentally sustainable energy sector

- IR 15.1 Increased private sector participation in the energy sector
- IR 15.2 Legal and regulatory environment more conducive to private investment in the energy sector
- IR 15.3 Environmentally sound laws adopted and implemented in energy sector
- IR 15.4 Increased efficiency in the energy sector

Discussion:

114-0150 A More Economically Sustainable and Environmentally Sound Energy Sector

Discussion:

114-022 Access to Legal Remedies Increased

- IR 22.1 Access to Legal Remedies Increased
 - IR 22.1.1 Increased public awareness of legal rights
 - IR 22.1.2 Increased availability of effective counsel
- IR 22.2 More Effective, Transparent and Fair Legal Sector Institutions
 - IR 22.2.1 Increased Independence of the Judiciary
 - IR 22.2.2 Targeted Institutional Capacity Increased
- IR 22.3 Laws and Regulations Promoting Democratic Processes and Market Reforms Enacted

Discussion:

114-0220 Legal Systems that Better Support Implementation of Democratic Processes and Market Reforms

Discussion:

114-023 Improved Local Government Service Delivery in Key Areas Defined by Constituent Needs

- IR 23.1 Improved Local Government Service Delivery in Key Areas Defined by Constituent Needs
 - IR 23.1.1 Increased Capacity of Local Governments in Targeted Districts to Plan and Manage Resources Efficiently and Transparently
 - IR 23.1.2 Legal Framework for Effective Local Governance Adopted and Implemented
 - IR 23.1.3 Increased citizen participation in local governance
- IR 23.2 NGO/CBOs & Media actively promote citizen interests
 - IR 23.2.1 Increased Media Financial Sustainability & Capacity to Provide Objective Information
 - IR 23.2.2 Increased Institutional Capacity of NGO/CBOs Involved in Advocacy
- IR 23.3 Strengthened Enabling Environment and Organizational Frameworks for Political Participation (Parties, Elections)
 - IR 23.3.1 Increasingly Transparent and Independent Administration and Monitoring of Electoral Process
 - IR 23.3.2 Increasingly Representative and Participatory Grass Roots Party Structures

Discussion:

114-0230 More Efficient and Responsive Local Governance

Discussion:

114-031 Reduced human suffering in targeted communities

SO Level Indicator: % of people above the poverty line in targeted communities

IR 31.1 Urgent needs met during crises

IR 31.2 Vulnerable communities better able to meet own needs

IR 31.2.1 Increased capacity to deliver health and other services

IR 31.2.2 More active participation of vulnerable groups in the economy

Discussion:

114-0310 Reduced Human Suffering in Targeted Communities

SO Level Indicator: % above the poverty line in targeted communities

Discussion:

114-0410 Special Initiatives

Discussion:

114-042 Cross-Cutting Programs: Training and Small Grants Programs

Discussion:

114-0420 Cross-Cutting Programs

Discussion:

114-241 Special initiatives: targeted privatization activities

Discussion:

Selected Performance Measures - Georgia

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Indicator (all data should pertain to FY or CY 02)	OU Response	Significant Result: Description of the significant result for a strategic objective	Data Quality Factors: Information relevant to the collection of this indicator data, e.g. "this data was not collected last year because it is only collected every five years."
Pillar I: Global Development Alliance			
Did your operating unit achieve a significant result working in alliance with the private sector or NGOs?			
a. How many alliances did you implement in 2002? (list partners)			
b. How many alliances do you plan to implement in FY 2003?			
What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?			
Pillar II: Economic Growth, Agriculture and Trade			
USAID Objective 1: Critical, private markets expanded and strengthened			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
a. Number of children enrolled in primary schools affected by USAID basic education programs (2002 actual)	Male	Female	Total
b. Number of children enrolled in primary schools affected by USAID basic education programs (2003 target)	Male	Female	Total
USAID Objective 5: World's environment protected by emphasizing policies and practices ensuring environmentally sound and efficient energy use, sustainable urbanization,			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
a. Hectares under Approved Management Plans (2002 actual)			
b. Hectares under Approved Management Plans (2003 target)			
Pillar III: Global Health			
USAID Objective 1: Reducing the number of unintended pregnancies			
Did your program achieve a significant result in the past year that is likely to contribute to this objective?			
Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)	19.8%		
USAID Objective 2: Reducing infant and child mortality			

Data was collected by CDC

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	41.14 Male	44.57 Female	Total		Data was collected by CDC
Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total		
Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total		
Were there any confirmed cases of wild-strain polio transmission in your country?	No				Data was collected by CDC

USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Percentage of births attended by medically-trained personnel (DHS/RHS)	92%				Data was collected by CDC
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USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Total condom sales (2002 actual)	650000			
b. Total condom sales (2003 target)	750000			
National HIV Seroprevalence Rates reported annually (Source: National Sentinel Surveillance System)	%			
Number of sex partners in past year (Source: national survey/conducted every 3-5 years)per DHS or other survey)				
Median age at first sex among young men and women (age of sexual debut) ages 15-24 (Source: national survey/conducted every 3-5 years) per DHS or other survey)	0 Male	0 Female	0 Total	
Condom use with last non-regular partner (Source: national survey/conducted every 3-5 years)per DHS or other survey)	%			
Number of Clients provided services at STI clinics				
Number of STI clinics with USAID assistance				
Number of orphans and other vulnerable children receiving care/support				
Number of Orphans and Vulnerable Children programs with USAID assistance				

Number of community initiatives or community organizations receiving support to care for orphans and other vulnerable children				
Number of USAID-supported health facilities offering PMTCT services				
Number of women who attended PMTCT sites for a new pregnancy in the past 12 months				
Number of women with known HIV infection among those seen at PMTCT sites within the past year.				
Number of HIV-positive women attending antenatal clinics receiving a complete course of ARV therapy to prevent MTCT (UNGASS National Programme & Behavior Indicator #4)				
Number of individuals reached by community and home-based care programs in the past 12 months				
Number of USAID-assisted community and home-based care programs				
Number of clients seen at Voluntary Counseling and Testing (VCT) centers				
Number of VCT centers with USAID assistance				
Number of HIV-infected persons receiving Anti-Retroviral (ARV) treatment				
Number of USAID-assisted ARV treatment program				
a. Number of individuals treated in STI programs (2002 actual)	Male	Female	Total	
b. Number of individuals treated in STI programs (2003 target)	Male	Female	Total	
a. Is your operating unit supporting an MTCT program?				
b. Will your operating unit start an MTCT program in 2003?				
a. Number of individuals reached by community and home based care programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by community and home based care programs (2003 target)	Male	Female	Total	
a. Number of orphans and vulnerable children reached (2002 actual)	Male	Female	Total	
b. Number of orphans and vulnerable children reached (2003 target)	Male	Female	Total	

a. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 actual)	Male	Female	Total	
b. Number of individuals reached by antiretroviral (ARV) treatment programs (2003 target)	Male	Female	Total	

USAID Objective 5: Reducing the threat of infectious diseases of major public health importance

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

a. Number of insecticide impregnated bed-nets sold (Malaria) (2002 actual)				
b. Number of insecticide impregnated bed-nets sold (Malaria) (2003 target)				
a. Proportion of districts implementing the DOTS Tuberculosis strategy (2002 actual)	%			
b. Proportion of districts implementing the DOTS Tuberculosis strategy (2003 target)	%			

Pillar III: Democracy, Conflict and Humanitarian Assistance

USAID Objective 1: Strengthen the rule of law and respect for human rights

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 2: Encourage credible and competitive political processes

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 3: Promote the development of politically active civil society

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 4: Encourage more transparent and accountable government institutions

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

USAID Objective 5: Mitigate conflict

Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?

Number of refugees and internally displaced persons assisted by USAID	63,728 Male	66,329 Female	130,057 Total	
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USAID Objective 6: Provide humanitarian relief

Did your program achieve a significant result in the past year that is likely to contribute to this objective?

Number of beneficiaries	746653			
Crude mortality rates	%			
Child malnutrition rates	0.5%			
Did you provide support to torture survivors this year, even as part of a larger effort?				
Number of beneficiaries (adults age 15 and over)	Male	Female	Total	
Number of beneficiaries (children under age 15)	Male	Female	Total	